ANNUAL REPORT

FISCAL YEAR 2001/02

Prince Edward Island
CANADA

PRINCE EDWARD ISLAND

AGRICULTURAL INSURANCE CORPORATION

103-03213/

ANNUAL REPORT

FISCAL YEAR 2001/02

OF THE

PRINCE EDWARD ISLAND

AGRICULTURAL INSURANCE CORPORATION

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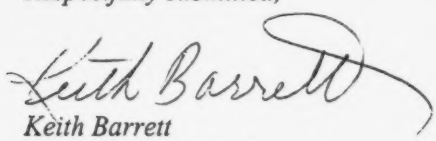
The Honourable Mitch Murphy
Minister of Agriculture and Forestry
P.O. Box 2000
Charlottetown, P.E.I.
C1A 7N8

Honourable Sir:

In accordance with the Prince Edward Island Agricultural Insurance Act, I enclose the report of the Corporation for the fiscal year ended March 31, 2002.

This report also includes the Corporation's audited financial statements for this period.

Respectfully submitted,



Keith Barrett
Chairperson of the Board

Manager's Report

Agricultural Insurance Corporation

2001/2002

I am pleased to submit the annual report highlighting the activities of the Prince Edward Island Agricultural Insurance Corporation (AIC) for the 2001/2002 fiscal year.

The Corporation is responsible for the administration of crop production insurance programs and income assistance programs authorized through regulations under the Agricultural Insurance Act and those program assigned to them by the Minister of Agriculture and Forestry. The programs under the Corporation's jurisdiction and corresponding objectives are:

Crop Insurance Program (CIP)

- This program provides insurance for eligible crops against shortfalls in production that resulted from designated perils. Fourteen different crop types were insured in 2001.
- The Bacterial Ring Rot Protection plan (BBRP) is offered as compensation on a per acre basis when the insured is notified by the Canadian Food Inspection Agency that the farm is infected with bacterial ring rot. This is a provincial funded program.

Agricultural Disaster Insurance Program (ADIP)

- This is an agricultural safety net program designed to offset farm losses for the 1995 to 1998 tax years. ADIP was terminated effective January 1, 2000.
  A small deficit balance is carried on the books from 2000.

Agricultural Income Disaster Assistance (AIDA)

- This program was designed to be compatible with and complementary to existing safety net programs. It was designed to offset losses based on farm margins and covered the 1998 and 1999 taxation years. A small deficit balance is carried on the books from the 2001 termination date.

Canadian Farm Income Program (CFIP)

- This is a continuation of the margin based disaster assistance programs and covers the 2000, 2001 and 2002 taxation years. The 2001 fiscal year includes payments on the entire 2000 tax year and part of the 2001 tax year.

PEI Negative Margin Coverage Program (NMCP)

- This is a companion program designed to supplement the CFIP program. It provided assistance for negative margin losses that are not covered in CFIP.

Elite Seed Potato Quality Improvement Program (ESPQIP)

- This is an extension of the Seed Potato Program and Seed Potato Virus Reduction Program offered in 2000. It assisted elite seed producers for production losses due to early killdown and for quality losses due to high virus levels in the harvested seed.

Farm Income Adjustment Program (FIAP)

- This was a one time assistance payment to producers from the Federal government. The funds were distributed by the Agricultural Insurance Corporation in 2000 and a small interest balance was transferred to Crop Insurance in 2002.

2001 Crop Production Year

The cropping year started off quite cool and damp but by early June the conditions changed to hot and dry. These hot and dry conditions persisted through to mid-September and resulted in one of the driest growing seasons in Crop Insurance history. All crops were affected by the drought; some cole crops were totally destroyed while others, such as potatoes, suffered yield losses from 40 to 60% below normal. High virus levels again caused problems for the elite seed potato growers and significantly reduced the inventory of low virus elite seed suitable for planting in 2002.

Crop Insurance

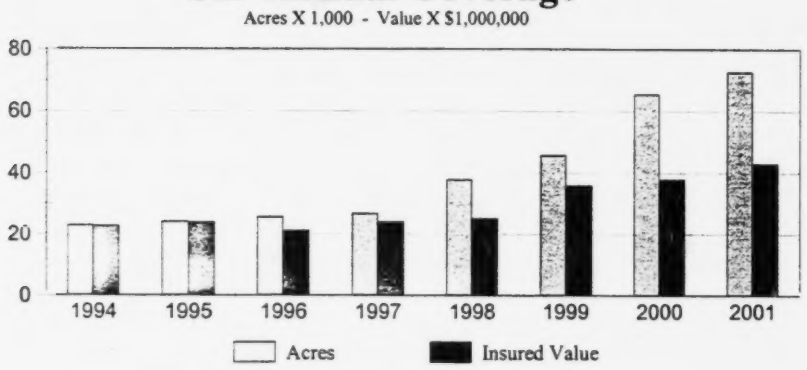
The standard crop insurance production guarantees were available for potatoes, cereals, beans, rutabagas and cole crops in 2001 and three new crop plans for apples, blueberries and carrots were developed for addition in 2002.. The Elite Seed Potato Plan was revised to accommodate the post-harvest virus test results under the Plant Health Act, and to specify the default level if the crop does not pass the first field inspection. The Cole Crop plan was modified for various Stage II compensation levels for cauliflower.

2001 Crop Insurance Statistics:

	Increase from 2000	
# of Contracts	> 12.25% to	980 contracts
Insured Acres	> 10.99% to	72,639 acres
Insured Value	> 13.74% to	$42,957,411
Total Premiums	> 6.07% to	$ 2,938,441
Indemnities Paid	>298.59% to	$10,640,172

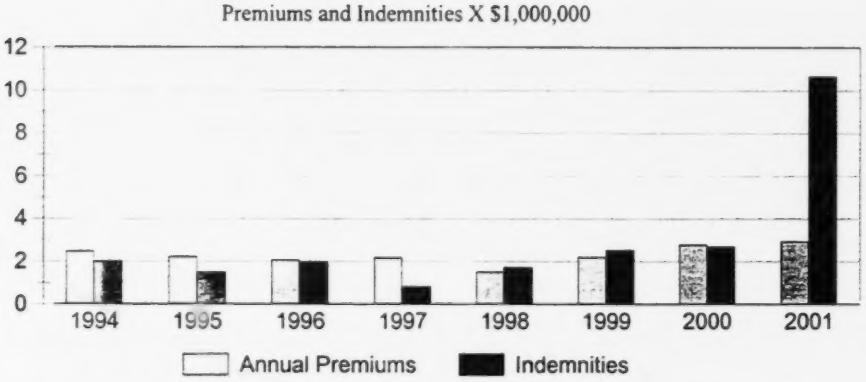
The trend toward increasing potato and grain insurance continued in 2001. Total acres insured in the potato variety coverage, whole farm potato plan and the elite seed options were up 15% while the grain acres insured, rose 8.17%.

CIP Annual Coverage



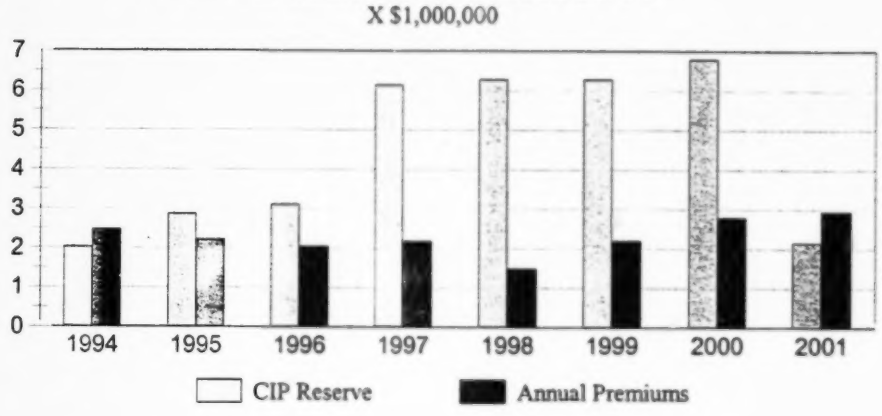
The above graph includes acres and insured value for all crops. The program has shown steady growth over the past five years with the major change occurring in the potato insurance program where acres insured increased 47% and insured value increased 59%, over this time period.

CIP Loss Ratio



During the seven years prior to 2001 there were only two years when indemnity payment exceeded the premiums collected, on a yearly basis. These years were 1998 and 1999 with loss ratio's of 1.148 and 1.158 respectively. The 2001 drought drove indemnity payments to an all time high with $10,640,172 paid out on 51% of the insurance contracts. Of the 980 insurance contracts signed in 2001, 501 received an indemnity payment. The overall loss ratio for the 2001 insurance year was 3.62; more than triple any of the previous years.

CIP Cumulative Reserve



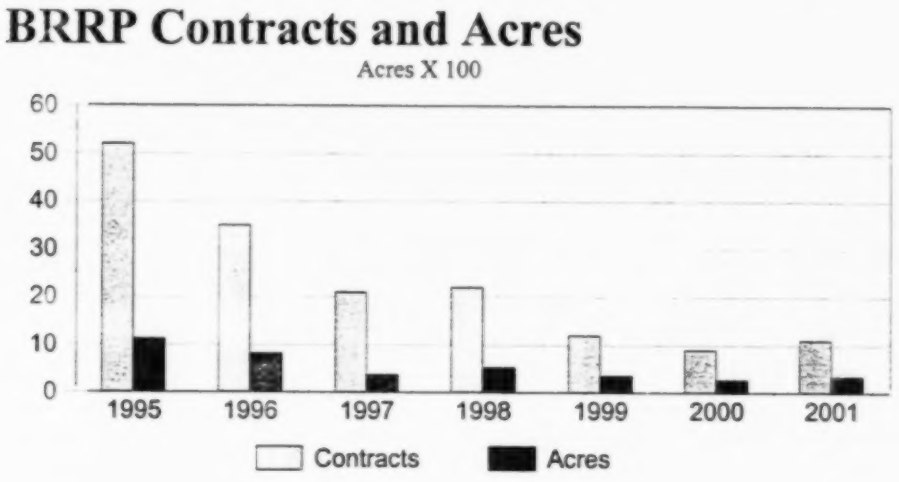
With an overall loss ratio of 3.62; cumulative reserves were severely depleted in 2001. Some foresight by the Board, resulted in the Corporation purchasing a re-insurance contract in 2001. This was the first year for re-insurance and the contract was signed with Benfield Greig in Toronto with a premium cost of $109,400. This contract paid out $2,865,400 in re-insurance benefits against the 2001 losses and these benefits allowed the program to maintain a surplus of $2,139,734. Without the re-insurance benefits the entire surplus would have been depleted along with the 2001 premiums and interest. The remaining surplus, historical loss ratio and new cost sharing agreement helped keep producers costs at an acceptable level in 2002.

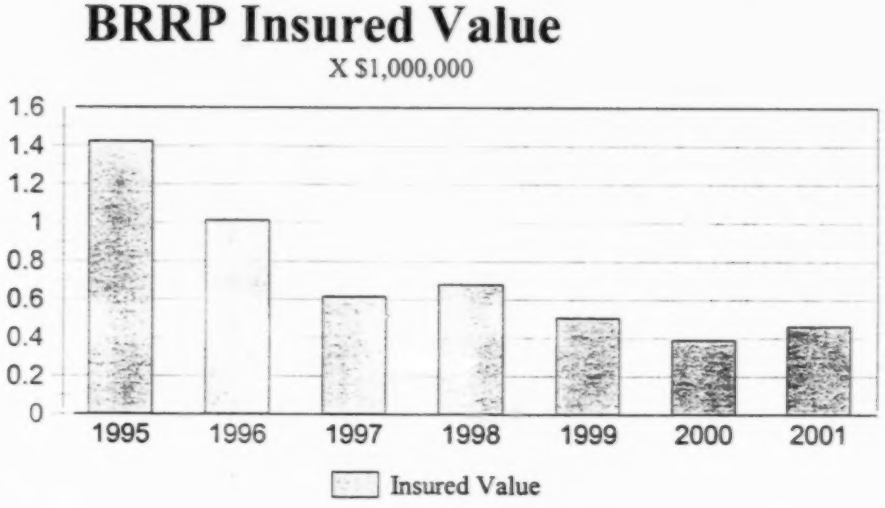
Loss Ratio Summary by Plan - 2001

Plan	Contracts	Premiums	Indemnities	Loss Ratio
Potato				
- Variety	170	$941,017.53	$4,397,474.54	4.67
- Whole Farm	91	$387,382.18	$2,439,680.39	6.30
- Elite Seed	368	$1,076,055.64	$2,232,571.96	2.07
Total Potatoes	***629***	***$2,404,455.35***	***$9,069,726.89***	***3.77***
Grains	***283***	***$266,398.52***	***$ 895,874.34***	***3.36***
Edible Beans	***3***	***$ 3,487.43***	***$ 15,722.90***	***4.51***
Tobacco	***1***	***$ 10,414.72***	***$ 51,256.15***	***4.92***
Cole Crops	***53***	***$214,114.98***	***$ 388,395.18***	***1.81***
Rutabagas	***9***	***$ 35,866.14***	***$ 205.651.94***	***5.73***
Field Peppers	***2***	***$ 3,683.52***	***$ 13,544.53***	***3.68***
Total Plans	***980***	***$2,938,440.66***	***$10,640,171.93***	***3.62***

Bacterial Ring Rot Protection

Participation in the Bacterial Ring Rot Protection Plan continued to be low. One case of BRR was found on P.E.I. in 2001, the first case in the last 5 year. There has only been one BRR claim since the program began (1996 for $54,318.90) and there were no claims in 2001. Seed imports continued to rise in 2001 to @ 450,000 cwt - up from 161,000 cwt in 2000. The increase in imported seed and the new BRR case in 2001 should see a renewed interest in the program. There is a $238,930 reserve in the BRRP.





Income Support Programs

Canadian Farm Income Program (CFIP)

For the 2000 and 2001 claim year the Canadian Farm Income Program (CFIP) replaced the Agricultural Income Disaster Assistance (AIDA) program. Both of these programs get their authority from a federal-provincial agreement and the Minister of Agriculture assigned the administration responsibilities for these programs to the AIC.

The Corporation paid $348,222 in indemnity payments during the 2000/2001 fiscal year, on 2000 tax year claims. As of March 31, 2002 the Corporation had processed 484 individual applications under the 2000 tax year and 46 individual applications under the 2001 tax year.

Canadian Farm Income Program (CFIP) Summary:

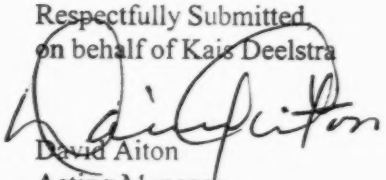
as of March 31, 2002

Total Applications	Approved	Positive Margin	Negative Margin
2000 tax year			
484	235	$6,169,938	$1,272,145
2001 tax year			
As of March 31, 2002			
Processed 46	29	$1,178,187	$ 264,092
Total 530	**264**	**$7,348,125**	**$1,536,237**
Average Combined Payment 2000 and 2001			$33,652

The 2000, 2001 and 2002 tax years are included under the current CFIP agreement. There are 551 individual applicants who can qualify for a payment based on their 2001 tax year.

This was the last year that Kais Deelstra managed the Agricultural Insurance Corporation. Mr. Deelstra retired in May 2002 and was replaced on an acting basis by David Aiton. On Kais's behalf I would like to thank the Board of Directors for it's direction and support and the staff for their cooperation and special efforts. 2001 was the largest claim year in Crop Insurance history and it took a major commitment by all Corporation staff to deal with the workload in a timely and professional manner.

Respectfully Submitted,
on behalf of Kais Deelstra



David Aiton
Acting Manager

MEMBERS OF THE BOARD
April 1, 2001 - March 31, 2002

Keith Barrett	Chairperson
Henry Compton	Vice Chairperson
Paul Jelley (replaced)	P.E.I. Dept. of Agriculture and Forestry
Robert Morrison	P.E.I. Dept. of Agriculture and Forestry
Mark Lanigan	Provincial Treasury
Clara Duffy (replaced)	Member
Peter Handrahan	Member
George Shaw	Member
Stephen Wallace	Member

STAFF
March 31, 2002

Administration

Dianne Bradley	-	Director, Corporate & Financial Services
Kais Deelstra (Retired)	-	Manager
David Aiton	-	Acting Manager (effective May/02)
Barb Poirier	-	Secretary
Peggy Weatherbee	-	Safety Net Program Supervisor
Brian Craig	-	Safety Net Program Officer
Melis Visser	-	Field Supervisor
Jane Doyle (Retired)	-	Administrative Officer
Bruce Ramsay	-	Administrative Officer (effective May/02)
Gloria Dalziel	-	Clerk

Farm Safety Net Representatives

Jamie Shaw	-	Field Agent
Jim Sutton	-	Field Agent
Ted MacFadyen	-	Field Agent
Margaret Veinot	-	Field Agent
Ken Malone	-	Field Agent
Holly Cahill Jr.	-	Field Agent
Marie Steele	-	Field Agent
Lorraine MacLennan	-	Field Agent

P.E.I. AGRICULTURAL INSURANCE CORPORATION - 2001/02 CROP INSURANCE SUMMARY c:\qp\ci 2001-02.qpw

Insured Crop	Contracts	Acres Insured	Insured Value	Total Premiums	Claims	Indemnities	Loss Ratio
Kennebec	7	226	236,912	15,846	3	38,326	2.42
Russet Burbank	46	7,197	7,331,785	450,370	35	2,283,111	5.07
Shepody	16	1,992	2,079,854	131,827	12	564,520	4.28
Superior	37	2,711	2,790,394	171,381	33	928,753	5.42
Yukon Gold	15	519	343,951	38,802	7	89,093	2.30
Other Russets	26	1,312	1,130,622	94,827	21	292,413	3.08
Other Varieties	23	631	628,998	37,964	15	201,260	5.30
POTATO VARIETY	**170**	**14,590**	**14,542,515**	**941,018**	**126**	**4,397,475**	**4.67**
Kennebec	2	222	169,634	7,666	1	8,668	1.13
Russet Burbank	27	5,056	4,643,858	151,919	15	992,148	6.53
Shepody	23	2,550	2,565,333	88,079	13	486,832	5.53
Superior	7	663	573,636	10,668	6	141,885	13.30
Yukon Gold	2	65	38,530	1,930	1	2,411	1.25
Other Russets	17	1,656	1,951,723	108,954	12	698,486	6.41
Other Varieties	13	348	352,336	18,166	8	109,251	6.01
POTATO WHOLE FARM	**91**	**10,559**	**10,295,051**	**387,382**	**56**	**2,439,680**	**6.30**
Kennebec	20	318	403,284	35,411	4	63,575	1.80
Russet Burbank	84	1,797	2,640,676	267,914	19	600,004	2.24
Shepody	62	1,045	1,853,914	168,514	18	829,213	4.92
Superior	27	607	1,376,815	132,540	8	124,974	0.94
Yukon Gold	26	450	469,037	68,813	0	0	0.00
Other Russets	35	409	660,734	75,040	6	161,446	2.15
Other Varieties	114	1,807	3,558,124	327,824	29	453,360	1.38
POTATO ELITE SEED	**368**	**6,433**	**10,962,584**	**1,076,056**	**84**	**2,232,572**	**2.07**
Kennebec	29	766	809,830	58,923	8	110,569	1.88
Russet Burbank	157	14,050	14,616,319	870,204	69	3,875,263	4.45
Shepody	101	5,587	6,499,101	388,420	43	1,880,564	4.84
Superior	71	3,981	4,740,845	314,590	47	1,195,612	3.80
Yukon Gold	43	1,034	851,517	109,545	8	91,504	0.84
Other Russets	78	3,377	3,743,079	278,821	39	1,152,345	4.13
Other Varieties	150	2,787	4,539,459	383,954	52	763,870	1.99
POTATOES COMBINED	**629**	**31,582**	**35,800,149**	**2,404,455**	**266**	**9,069,727**	**3.77**
Barley	109	23,811	2,936,551	122,394	62	301,060	2.46
Feed Wheat	60	7,049	1,102,480	65,654	43	276,230	4.21
Grain Corn	7	491	120,592	13,868	3	12,618	0.91
Milling Wheat	4	1,262	210,203	11,395	1	40,684	3.57
Mixed Grain	28	1,821	157,653	10,411	18	46,630	4.48
Oats	35	1,672	156,769	8,415	24	48,648	5.78
Soybeans	35	3,565	562,024	28,820	29	170,003	5.90
Winter Wheat	5	450	66,657	5,440	0	0	0.00
GRAINS TOTAL	**283**	**40,121**	**5,312,930**	**266,399**	**180**	**895,874**	**3.36**
Broccoli	22	205	302,150	63,930	17	98,211	1.54
Brussels Sprouts	3	121	271,020	40,020	1	6,003	0.15
Cabbage	3	22	50,753	3,471	1	3,655	1.05
Cauliflower	25	270	638,344	106,693	24	280,526	2.63
COLE CROPS	**53**	**618**	**1,262,267**	**214,115**	**43**	**388,395**	**1.81**
Colored Beans	1	40	15,330	2,570	1	10,300	4.01
White Pea Beans	2	38	9,761	917	1	5,423	5.91
Field Peppers	2	7	30,543	3,684	1	13,545	3.68
Tobacco	1	41	118,080	10,415	1	51,256	4.92
Rutabagas	9	193	408,350	35,886	9	205,652	5.73
OTHER CROPS	**15**	**319**	**582,064**	**53,472**	**13**	**286,176**	**5.35**
ALL CROPS	**980**	**72,639**	**42,957,411**	**2,938,441**	**502**	**10,640,172**	**3.62**

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

AGRICULTURAL INSURANCE CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2002

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Agricultural Insurance Corporation

I have examined the balance sheet of the Prince Edward Island Agricultural Insurance Corporation as at March 31, 2002 and the statements of revenue, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Allan Moore

Allan Moore, CA
Acting Auditor General

Charlottetown, Prince Edward Island
June 24, 2002

STATEMENT 1

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION
BALANCE SHEET
AS AT MARCH 31, 2002

	CIP	BRRP	ADIP	AIDA	CFIP	NMCP	ESPQIP	TOTAL 2002	TOTAL 2001
ASSETS:									
Cash	$2,782,123	$148,074	$ -	$ -	$ -	$ -	$500,755	$3,430,952	$1,256,766
Term Deposits - Note 3	-	90,720	-	-	-	-	-	90,720	6,470,969
Accrued Interest	-	-	-	-	-	-	-	-	82,466
Accounts Receivable									
- Federal Interest	-	-	-	-	16,089	-	-	16,089	-
- General	2,171	136	-	-	-	-	749	3,056	3,193
- Producer	3,698	-	23,432	63,480	12,545	17,164	-	120,319	163,601
- Province of PEI	-	-	-	76,166	127,147	51,693	-	255,006	210,535
- Federal Government	189,179	-	-	97,800	360,851	98,906	222,479	969,215	1,155,538
	$2,977,171	$238,930	$23,432	$237,446	$516,632	$167,763	$723,983	$4,885,357	$9,343,068
LIABILITIES:									
Overdraft	$ -	$ -	$38,342	$250,832	$ 96,819	$119,953	$ -	$ 505,946	$ 385,836
Accounts Payable									
- General	6,493	-	31	222	90	103	-	6,939	1,073
- Province of PEI	18,027	-	-	-	173,892	-	721,039	912,958	911,211
Indemnities Payable	810,284	-	-	-	223,542	51,693	-	1,085,519	990,583
Advanced Federal Contributions	-	-	-	-	-	-	-	-	53,231
Unearned Income	2,633	-	-	-	-	-	-	2,633	906
	837,437	-	38,373	251,054	494,343	171,749	721,039	2,513,995	2,342,840
SURPLUS (DEFICIT)	2,139,734	238,930	(14,941)	(13,608)	22,289	(3,986)	2,944	2,371,362	7,000,228
	$2,977,171	$238,930	$23,432	$237,446	$516,632	$167,763	$723,983	$4,885,357	$9,343,068

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE BOARD:

Keith Barrett

Gerald Compton

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION
STATEMENT OF REVENUE, EXPENSES AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 2002

	CIP	BRRP	ADIP	AIDA	CFIP	NMCP	ESPQIP	FIAP	TOTAL 2002	TOTAL 2001
REVENUE:										
Insurance Premiums										
- Farmer	$1,469,477	$ 15,386	$ -	$ -	$ -	$ -	$ -	$ -	$1,484,863	$1,398,293
- Provincial	734,738	7,683	-	-	-	-	-	-	742,421	699,137
- Federal	734,738	-	-	-	-	-	-	-	734,738	692,644
	2,938,953	23,069	-	-	-	-	-	-	2,962,022	2,790,074
Less: Premium Discount	15,597	-	-	-	-	-	-	-	15,597	12,341
	2,923,356	23,069	-	-	-	-	-	-	2,946,425	2,777,733
Contributions to Operating Expenses										
- Provincial	258,592	-	-	8,671	95,081	-	-	-	362,344	326,939
- Federal	258,592	-	-	1,366	142,621	-	-	-	402,579	373,745
	517,184	-	-	10,037	237,702	-	-	-	764,923	700,684
Other										
Provincial Grant-Note 1(d) - 1(g)	-	-	-	(918)	2,791,680	561,669	481,653	-	3,834,084	2,157,156
Federal Grant-Note 1(d) - 1(h)	-	-	-	145,238	3,845,526	764,965	722,479	4,884,426	10,362,634	4,227,397
Reinsurance Benefits	2,865,400	-	-	-	-	-	-	-	2,865,400	-
Interest	348,729	7,488	1,904	4,808	6,200	301	2,944	4,824	377,198	431,970
Federal Interest on Advances	-	-	-	-	16,089	-	-	-	16,089	-
Late Filing Charge	504	-	-	-	-	-	-	-	504	357
Administration Fee	-	-	-	-	-	-	-	-	-	10,245
	3,214,633	7,488	1,904	149,128	6,659,495	1,326,935	1,207,076	4,889,250	17,455,909	6,827,125
Total Revenue	6,655,173	30,557	1,904	159,165	6,897,197	1,326,935	1,207,076	4,889,250	21,167,257	10,305,542
EXPENSES:										
Indemnities	10,677,306	-	2,714	144,320	6,637,206	1,326,634	1,204,132	4,884,426	24,876,738	9,659,387
Administration - Schedule 2	517,184	-	-	10,037	237,702	-	-	-	764,923	700,684
Bad Debt	-	-	7,593	22,407	-	-	-	-	30,000	25,259
Interest	-	-	980	4,575	-	4,287	-	-	9,842	-
Reinsurance Premium	114,620	-	-	-	-	-	-	-	114,620	-
Total Expenses	11,309,110	-	11,287	181,339	6,874,908	1,330,921	1,204,132	4,884,426	25,796,123	10,385,330
Net Income (Loss) for the Year	(4,653,937)	30,557	(9,383)	(22,174)	22,289	(3,986)	2,944	4,824	(4,628,866)	(79,788)
Surplus, (Deficit) Beginning of Year	6,788,847	208,373	(5,558)	8,566	-	-	-	-	7,000,228	7,080,016
Transfer - Note 1(h)	4,824	-	-	-	-	-	-	(4,824)	-	-
Surplus, (Deficit) End of Year	$2,139,734	$238,930	$(14,941)	$(13,608)	$ 22,289	$ (3,986)	$ 2,944	$ -	$2,371,362	$7,000,228

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002

	CIP	BRRP	ADIP	AIDA	CFIP	NMCP	ESPQIP	FIAP	TOTAL 2002	TOTAL 2001
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts from Producers	$ 1,476,420	$ 15,386	$ 803	$ 21,879	$ (12,545)	$ (17,164)	$ -	$ -	$1,484,779	$1,384,869
Receipts from Provincial Government	994,964	7,683	-	(124,956)	3,045,006	510,162	449,749	-	4,882,608	3,764,176
Receipts from Federal Government	844,078	-	-	134,994	3,839,801	666,337	1,253,207	4,884,426	11,622,843	5,153,857
Reinsurance Benefits	2,865,400	-	-	-	-	-	-	-	2,865,400	-
Indemnity Payments	(10,229,714)	-	(2,714)	(772,211)	(6,406,947)	(1,274,941)	(1,204,132)	(4,884,426)	(24,775,085)	(9,266,038)
Payments for Program Administration	(517,184)	-	-	(10,037)	(237,702)	-	-	-	(764,923)	(701,184)
Interest Received	431,910	7,659	955	455	6,290	(3,883)	2,195	4,824	450,405	447,991
Administration Fees Received	-	-	-	-	17,000	-	-	-	17,000	10,745
Reinsurance Premiums	(109,200)	-	-	-	-	-	-	-	(109,200)	-
Transfer from (to) Other Fund - Note 1(h)	4,824	-	-	-	-	-	-	(4,824)	-	-
NET INCREASE (DECREASE)	(4,238,502)	30,728	(956)	(749,876)	250,903	(119,489)	501,019	-	(4,326,173)	794,416
Balance, beginning of year	7,020,625	208,066	(37,386)	499,044	(347,722)	(464)	(264)	-	7,341,899	6,547,483
Balance, end of year	$ 2,782,123	$238,794	$(38,342)	$(250,832)	$ (96,819)	$ (119,953)	$ 500,755	$ -	$3,015,726	$7,341,899
As represented by:										
Cash	$ 2,782,123	$148,074	$ -	$ -	$ -	$ -	$ 500,755	$ -	$3,430,952	$1,256,766
Bank Overdraft	-	-	(38,342)	(250,832)	(96,819)	(119,953)	-	-	(505,946)	(385,836)
Term Deposits	-	90,720	-	-	-	-	-	-	90,720	6,470,969
Total Cash and Cash Equivalents	$ 2,782,123	$238,794	$(38,342)	$(250,832)	$ (96,819)	$ (119,953)	$ 500,755	$ -	$3,015,726	$7,341,899

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002

1. Summary of significant accounting policies:

(a) Crop Insurance Program (CIP)

The Crop Insurance Program is treated as a separate fund and is intended to be self sustaining. The assets, liabilities and fund balances are segregated.

The agreement negotiated between the federal and provincial governments cover the cost sharing arrangements for insurance premiums and administrative expenses. Insurance revenues include government contributions to insurance premiums as described in Schedule 1. Administration expenses are cost shared 50-50 by both governments.

(b) Bacterial Ring Rot Program (BRRP)

This program was established in 1995-96 to provide protection against bacterial ring rot infection. The premium is cost shared 33.3% by the province and 66.7% by the producer.

(c) Agricultural Disaster Insurance Program (ADIP)

This is an agricultural safety net program available to farmers for the 1995-1998 tax years. The Agricultural Disaster Insurance Program was terminated effective January 1, 2000.

(d) Agricultural Income Disaster Assistance (AIDA)

This program was designed to be compatible with and complementary to existing federal-provincial safety net programs. AIDA is a two year program for the 1998 and 1999 taxation years. The federal government contributed 60% and the province 40% towards eligible claim payments, as well as, costs of administering the program. Indemnities for the 2000-01 fiscal year included only 95% of the federal governments required contribution. Additional federal funding allocations increased the federal government's contributions to 99.2% of the federal eligibility limits. The increased federal funding has been recognized in the 2002 fiscal year of the Agricultural Insurance Corporation.

(e) Canadian Farm Income Program (CFIP)

The purpose of this program is to provide income support to Canadian producers when, for reasons beyond their control, there is an extreme reduction in their farm income. The program is available for the 2000, 2001 and 2002 taxation years. The federal government contributes 60% and the province 40% towards eligible claim payments and administration. As of March 31, 2002, the federal government had committed to fund 50% of the federal 60% share on claims for producer's 2001 claim year. Federal contributions are subject to appropriations of funding being approved by Parliament. The federal government increased its funding commitment to 70% of the 60% federal share subsequent to March 31, 2002.

(f) PEI Negative Margin Coverage Program (NMCP)

This is a federal-provincial companion program designed to supplement the Canadian Farm Income Program. Eligible claim payments are cost-shared 60% by the federal government and 40% by the province.

(g) Seed Incentives (ESPQIP)

An agreement was entered into with the federal government which provides for cost sharing of incentives provided to producers for the 2000 crop year under the Seed Potato Incentive Program (SPIP) and Seed Potato Virus Reduction Program (SPVRP). Eligible program expenditures are cost shared 60% by the federal government and 40% by the province. For the 2001 crop year these programs were combined as the Elite Seed Potato Quality Improvement Program (ESPQIP). Balances at March 31, 2001 for SIP and SPVRP have been combined and treated as opening balances of ESPQIP.

(h) Farm Income Adjustment Program (FIAP)

The Agriculture Insurance Corporation administered the federally funded Farm Income Adjustment Program. This program provided payments to producers based on Eligible Net Sales information. A surplus of $4,824 realized due to interest income has been transferred to the Crop Insurance Fund.

(i) Surplus or Deficit/Net Income or Loss

Government policy has been to allow the Insurance Funds to retain surpluses or recover deficits.

2. Related Party Transactions

In the current year, three board members entered into crop insurance contracts under the Crop Insurance Program with premiums of $4,644 collected and indemnities of $18,682 paid. One Board member was enrolled in the Elite Seed Quality Improvement Program receiving program benefits of $11,385. A final payment of $154 was made to one Board member enrolled in the AIDA program for the 1999 tax year. Three Board members and three employees of Agriculture Insurance Corporation received payments totalling $21,600 under the Farm Income Adjustment Program. These transactions were made on terms similar to those with unrelated parties and were in accordance with requirements of the program.

3. Term Deposits

Term Deposits are short term investments that are valued at cost plus accumulated interest. The carrying amount of term deposits approximates their market value.

SCHEDULE 1

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

SCHEDULE OF CROP INSURANCE FUND SURPLUS OR DEFICIT

FOR THE YEAR ENDED MARCH 31, 2002

	Surplus (Deficit) Start of Year	2001 Changes Premiums	2001 Changes Indemnities	Surplus (Deficit) End of Year
CROP				
Potatoes	$1,081,198	$2,404,968	$ 9,106,861	$(5,620,695)
Tobacco	1,486,502	10,415	51,256	1,445,661
Grain	2,244,091	218,270	713,253	1,749,108
Cole Crops	(332,071)	214,115	388,395	(506,351)
Rutabagas	39,862	35,886	205,652	(129,904)
Processed Peas	61,200	-	-	61,200
Winter Wheat	(153,544)	5,440	-	(148,104)
Soybean	(14,928)	28,820	170,003	(156,111)
Dry Bean	(70,991)	3,487	15,723	(83,227)
Grain Corn	(6,939)	13,868	12,618	(5,689)
Other	(31,815)	3,684	13,545	(41,676)
Total	4,302,565	2,938,953	10,677,306	(3,435,788)
UNALLOCATED SURPLUS (DEFICIT)	2,486,282	3,089,240*	-	5,575,522
	$6,788,847	$6,028,193	$10,677,306	$ 2,139,734

*The change consists of:	
Premium Discount	(15,597)
Interest Income	348,729
Late Filing Charge	504
Reinsurance Benefit	2,865,400
Reinsurance Premium	(114,620)
Transfer of FIAP Surplus	4,824
	$3,089,240

INSURANCE PREMIUMS - See Note 1(a)

The producer contributes 50% and the Federal and Provincial governments contribute 25% each to premiums for the Crop Insurance Fund.

The Farm Income Adjustment Program was completed in 2001-2002. The March 31, 2002 surplus of $4,824 has been transferred to the Crop Insurance Fund.

SCHEDULE 2

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2002

	CIP	AIDA	CFIP	2002 Total	2001 Total
ADMINISTRATIVE EXPENSES					
Audit	$ 10,500	$ -	$ 9,300	$ 19,800	$ 16,000
Board Fees	7,774	-	1,730	9,504	9,051
Contract Services	-	-	-	-	2,947
General	5,591	10,037	1,005	16,633	5,810
Legal and Other	-	-	-	-	2,720
Office	12,192	-	9,032	21,224	19,487
Office Accommodation	9,386	-	-	9,386	13,387
Salaries and Benefits	409,770	-	228,498	638,268	565,854
Travel	61,971	-	5,137	67,108	65,428
Less Fees Applied	-	-	(17,000)	(17,000)	-
	$517,184	$10,037	$237,702	$764,923	$700,684